

WS-02987A-08-0180

**ORIGINAL**

OPEN MEETING AGENDA  
ARIZONA CORPORATION COMM  
UTILITY COMPLAINT FORM



Investigator: Carmen Madrid

Phone:

2013 MAY 31 A 9:58 Fax:

Priority: Respond Within Five Days

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Opinion      No. 2013 - 110856

Date: 5/30/2013 Arizona Corporation Commission

Complaint Description:      08A Rate Case Items - Opposed

N/A Not Applicable

**DOCKETED**

MAY 31 2013

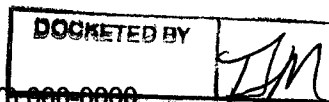
First:

Last:

Complaint By:

Steve

Pratt



Account Name:

Steve Pratt

Home: (000) 000-0000

Street:

Work: (000) 000-0000

City:

San Tan Valley

CBR:

State:

AZ      Zip: 00000

is:

Utility Company:

Johnson Utilities L.L.C. d/b/a Johnson Utilities Company

Division:

Water

Contact Name:

Contact Phone:

Nature of Complaint:

\*\*\*\*\*OPINION OPPOSED TO JOHNSON UTILITIES - WS-02987A-08-0180\*\*\*\*\*

Thank you for your help, Ms. Madrid. You were very professional and helpful in assisting me in navigating the Commission's website.

I do have some comments on Case 08-0180, Johnson Utilities, which is my water and sewer provider.

1.The utility should be required to pass on to customers any revenue - received or implied - generated by advertisements in its customer newsletter. E.g. each month it advertises for the Oasis golf club. This is fine, as long as customers receive the value of the advertising which is valuable solely because it reaches the Johnson Utilities customer base (a valuable monopolistic marketing asset) and the newsletter is open to any and all competing golf courses or other entities that wish to advertise via Johnson Utilities' Newsletter under the same terms and conditions. The Newsletter should not, however, be allowed to be used for personal purposes, whims, or desires of the Johnson Utilities' owners since they are not paying for it or database maintenance - the customers are.

2.The utility should not be allowed to pass on to customers costs incurred for political purposes. In its monthly newsletter it advocates for action with the Florence city council to block the Florence Copper Project. Its rhetoric goes beyond providing information to blathering on and on and on with nothing say but to scare people about water quality (the irony here is off the charts - it would be much funnier if our water was reliably safe). If they are going to engage in political rhetoric, the newsletter should be opened up to rational discourse of alternative views.

3.Including in rates income taxes which are never paid by Johnson Utilities is a bad, bad, bad idea. As I understand it, the intent is to compensate individuals who own the company for personal taxes they will incur on distributions. If you do this, you should also allow for recovery of personal taxes on dividend distributions for corporate utility shareholders of other companies regulated by the Commission. This, obviously, is nonsense because it would amount to double dipping. But that is exactly what your new policy amounts to. If a company tax liability is not incurred, how in heaven's name can you claim customers should reimburse for it based on

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## UTILITY COMPLAINT FORM

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some alleged payment an individual may or may not have to make? Why not also include the income taxes employees have to pay on their salaries?

Frankly, I really don't care how they do it in Texas - Commissioner Burns got this right on the money with a finely honed dissent.

Currently owners are taxed on distributions from the company, providing a significant incentive to retain capital in the business - lord knows Jutilities could use some sprucing up, meeting environmental and water quality standards, etc.

By charging customers a grossed up tax allowance - which, as I understand it, includes taxes on the tax allowance itself (is your head spinning yet like mine?) - you are incenting the company to withdraw cash and capital from operations. Bad idea.

If the company is unable to attract capital under the current system, consider adjusting the returns and/or require a different ownership structure.

The comparable returns you have used to establish rates already accounts for the form of ownership, including tax consequences.

If you are going to allow for a tax allowance in addition to all other costs, the company should be required to be operated with all of the protections afforded a company regulated by the SEC. Independent directors. A wall of separation between the CEO and Board. Published financial/partnership statements. Regular detailed financial audits. Significant corporate governance structure.

Can you please just get them to improve the water and make it safe? Their profitability and benefits that accrue to owners seem more than adequate.

People on fixed incomes really don't need higher utility bills, although I do understand revenue needs to be adequate to operate safely and efficiently.

Thank you.

Steve Pratt

San Tan Valley, Az.

By the way - will the meeting take oral public testimony?  
\*End of Complaint\*

### **Utilities' Response:**

### **Investigator's Comments and Disposition:**

From: Carmen Madrid  
Sent: Thursday, May 30, 2013 8:31 AM  
To: 'Steve Pratt'  
Subject: RE: Johnson Utilities

Mr. Pratt,

Consumers are allowed to make public comment at the Open Meeting. Each person wanting to speak are allowed 3 minutes to speak. If you decide to attend the meeting there are speaker sheets located on a table outside of the hearing room to fill out. These will be handed to the secretary. When the item that you are

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interested in speaking about comes up, your name will be called and you can step up to the speaker and voice your comment.

Regards,

Carmen Madrid  
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From: Steve Pratt [mailto:]  
Sent: Thursday, May 30, 2013 7:26 PM  
To: Carmen Madrid  
Subject: RE: Johnson Utilities

Thank you.  
I am quite busy those days, so will likely not attend.

Thank you for including my comments in the record for decision.

Steve Prat

†\*\*  
5/31/13 Opinion noted and filed in Docket No. WS-02987A-08-0180. closed  
\*End of Comments\*

**Date Completed: 5/31/2013**

**Opinion No. 2013 - 110856**

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